

Message Text

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ORIGIN EB-07

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CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 IGA-02 AF-08 ARA-06 EA-07 EUR-12 OIC-02 /136 R

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TO USMISSION GENEVA PRIORITY

INFO USDEL MTN GENEVA PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, GATT, TS

SUBJECT: GATT BALANCE OF PAYMENTS (BOP) CONSULTATIONS:
TUNISIA

REFERENCES: (A) BOP/166-GATT; (B) SM/76/198-IMF

1. THE TPSC HAS REVIEWED REFDOK (A) AND FINDS IT AN ACCEPT-
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ABLE SUBMISSION UNDER THE MODIFIED PROCEDURES FOR

ARTICLE XVIII BOP CONSULTATIONS.

2. PROBLEM: TUNISIA HAS SUBMITTED ITS PROGRAM OF IMPORT RESTRICTIONS TO THE BOP COMMITTEE OF THE GATT FOR CONSULTATIONS UNDER ARTICLE XVIII.

3. RECOMMENDATIONS: USDEL MAY, AS APPROPRIATE, SUPPORT THE ADOPTION OF TUNISIA'S SUBMISSION BOP/166 AS SATISFYING TUNISIA'S OBLIGATION UNDER ARTICLE XVIII TO CONSULT WITH THE CP'S ON TRADE MEASURES IMPOSED FOR BOP REASONS. USDEL SHOULD:

A. NOTE WITH APPROVAL THE ELIMINATION OF SPECIAL TRADE ADVANTAGES TO THE FRANC AREA AND ATTEMPTS TO SIMPLIFY THE SYSTEM OF TRADE AND EXCHANGE CONTROLS.

B. NOTE WITH APPROVAL TUNISIA'S CONTINUING PROCESS OF IMPORT LIBERALIZATION.

C. URGE CONTINUED GOT EFFORTS TO PROMOTE AND DIVERSIFY EXPORTS TO THE EXTENT ECONOMICALLY FEASIBLE, BUT TO REDUCE RELIANCE ON PRODUCTS WITH UNSTABLE WORLD MARKETS, AND TO REEXAMINE THE NEED FOR ITS EXPORT RESTRICTIONS.

D. INQUIRE OF GOT EXPECTATIONS RE SERVICES BALANCES IN 1976 AND 1977, ESPECIALLY PROJECTIONS OF EARNINGS FROM TOURISM AND LABOR.

4. BACKGROUND: A. TUNISIA HAS EXPERIENCED EXTREMELY ERRATIC GROWTH IN ALL MAJOR SECTORS IN THE LAST FIVE YEARS, BUT HAS AVERAGED 7.5 PERCENT PER ANNUM REAL GROWTH IN 1971-75. INFLATION WAS EXTREMELY RAPID IN 1974, LED BY A SURGE OF IMPORT PRICES, AND PERSISTED AT MODERATE LEVELS THROUGH THE FIRST QUARTER OF 1976 IN SPITE OF DECLINING IMPORT PRICES AFTER THE FIRST QUARTER OF 1975.

B. AFTER SURPLUSES IN 1971-74, TUNISIA'S BOP DETERIORATED SUBSTANTIALLY IN 1975. THE BALANCE OF TRADE HAS BEEN CONSISTENTLY IN DEFICIT SINCE 1971, BUT DETERIORATED SHARPLY IN 1975 AND THE DETERIORATION MAY CONTINUE THROUGH LIMITED OFFICIAL USE

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1976 ALTHOUGH PETROLEUM EXPORTS TO THE US ROSE SHARPLY IN THE FIRST HALF OF THE YEAR. IN 1974, SHARP INCREASES IN PRICES FOR KEY EXPORTS OF OLIVE OIL, PETROLEUM PRODUCTS AND PHOSPHATES LED TO AN INCREASE IN EXPORTS, BUT IMPORTS ALSO INCREASED ACROSS THE BOARD, LEAVING A DEFICIT IN THE TRADE ACCOUNTS. WHILE IMPORTS CONTINUED TO INCREASE INTO 1975, MAINLY FOR INDUSTRIAL IMPORTS, EXPORTS DECLINED IN BOTH QUANTITY AND PRICE, LED BY OLIVE OIL AND PHOSPHATES,

WHILE PETROLEUM EARNINGS WERE STABLE. ONE BRIGHT SPOT HAS BEEN THE SLOW BUT STEADY EXPANSION OF EXPORTS OF PAPER AND TEXTILES AND OF MECHANICAL AND ELECTRICAL GOODS. HOWEVER, THESE CATEGORIES TOGETHER ACCOUNTED FOR ONLY 16 PERCENT OF TUNISIA'S EXPORTS IN 1975. A LARGER DEFICIT IS ANTICIPATED FOR 1976 WITH EXPORTS HIGHER THAN IN 1975 BUT LOWER THAN 1974, AND IMPORTS UP AT A MORE MODERATE RATE OF 10 PERCENT.

C. THE CURRENT ACCOUNT ON THE WHOLE SHOWS THE SAME TREND AS THE TRADE BALANCE, BUT AT MUCH LOWER DEFICIT FIGURES DUE TO CONSISTENT SURPLUSES IN OTHER AREAS, ESPECIALLY INFLOWS FROM TOURISM AND LABOR EARNINGS.

D. LONG TERM PRIVATE CAPITAL CONTINUES TO FLOW IN, AS DOES PUBLIC CAPITAL, ALTHOUGH TO A LESSER EXTENT. HOWEVER THESE FLOWS, WHICH IN PREVIOUS YEARS MORE THAN OFFSET CURRENT ACCOUNT DEFICITS, ARE NOT APPRECIABLY LARGER AND NOW BARELY COVER THOSE DEFICITS.

E. THE GOT CONSIDERS THE BOP DEFICITS TO BE "NORMAL" GIVEN THE NECESSITY OF INDUSTRIALIZATION, AND POINTS TO THE COMPOSITION OF IMPORTS, USUALLY AROUND 70 PERCENT OF WHICH ARE INDUSTRIAL INPUTS.

F. BEGIN FYI. SUCCESSFUL MEETINGS OF US-TUNISIA JOINT COMMISSION RECENTLY COMPLETED IN WASHINGTON. US SUPPORTIVE OF TUNISIA 5-YEAR PLAN, INCLUDING EXPECTED RISE IN CURRENTLY LOW RATIO OF DEBT SERVICE PAYMENTS TO MERCHANDISE EXPORTS. USDEL AWARENESS OF MEETINGS SHOULD BE MENTIONED AS APPROPRIATE. END FYI. KISSINGER

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